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ABSTRACT

This paper presents a case study of the process of capital investment strategic planning at the Gold Coast Institute of Technical and Further Education (TAFE), Queensland, Australia. Capital investment strategic planning is a means of contributing to success by providing strategies to ensure that assets are managed efficiently, effectively, and economically in the provision of quality economic services. At the Gold Coast Institute of TAFE the Capital Investment Strategic Plan has been carried out in accordance with Queensland Government Treasury Guidelines. There are six major components of the Institute's Capital Investment Strategic Plan: (1) an executive summary to describe the status of the institute; (2) current institute outputs; (3) asset needs for service delivery; (4) gap analysis; (5) type and nature of assets; and (6) strategy. Completing each of these components presents a clear picture of the assets and needs of the Institute. Although the built assets of the Institute are relatively young and in good condition, some upgrades are identified. The strategic plan includes the establishment of business partnerships and links with the community and industry. Maintenance needs are identified as well. By the end of the financial year 2002-2003, all 16 TAFE Institutes in Queensland will have Capital Investment Strategic Plans. (SLD)

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Promoting and Disseminating Good Practice in the Planning and Management of Educational Facilities: Capital Investment Strategic Planning – A Case Study
Gold Coast Institute of TAFE, Queensland, Australia

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Introduction

Educational institutes are facing increasing challenges in responding to changes in the nature of their business needs, service delivery needs and community expectations. Facilities capable of responding to these changes will be very different to what they are today. The management of those changes by adapting to these needs through strategic asset planning and also a proactive approach to the management of assets that impact on the institute's balance sheet bottom line is an area where corporate asset managers and educators need to be more closed aligned.

Corporate asset managers are being challenged to deliver efficiencies at the strategic level. They therefore need to be recognised as strategic business partners contributing to organisational success by being in part a change manager, portfolio manager and financial manager.

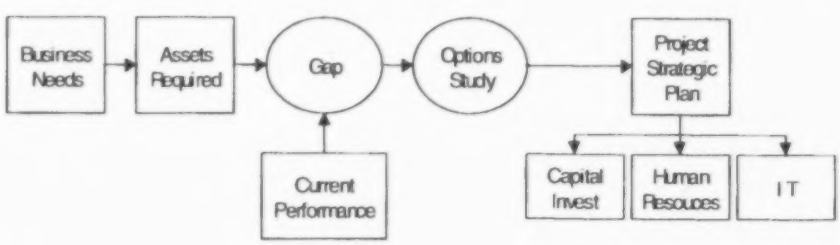
Capital Investment Strategic Planning is a means of contributing to that success by providing strategies to ensure assets are managed efficiently, effectively and economically in the provision of quality educational services.

What is Capital Investment Strategic Planning?

Capital Investment Strategic Planning is the asset component of the strategic planning process. It focuses on the asset implications of the strategic plan.

Strategic planning concerns identifying output requirements and service needs and developing strategies to meet those needs. This is shown in *Diagram 1.*

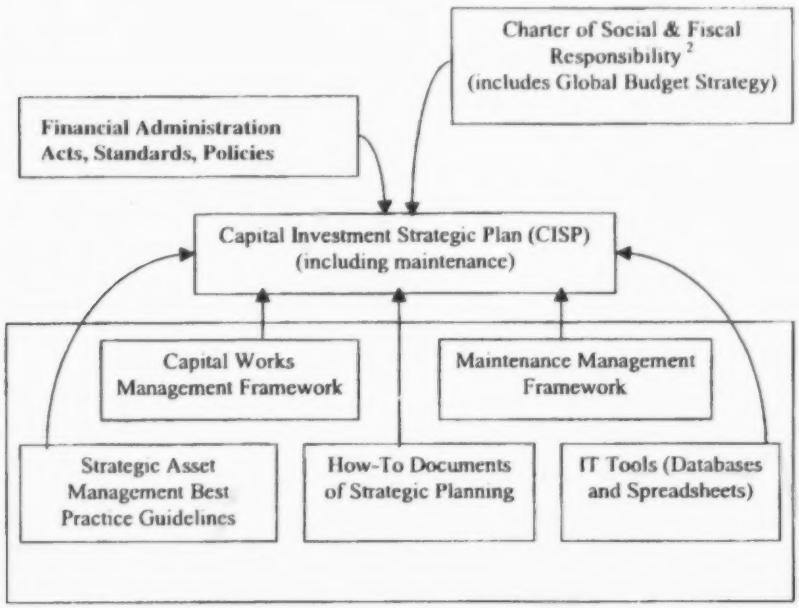
Diagram 1.



Asset strategic planning involves establishing what assets are required to support service and output strategies identified in the strategic plan, compares this to existing available assets and develops a strategy for acquisitions, disposal, funding maintenance and management of the asset base including the recurrent cost implications of capital investment.

The framework in which Capital Investment Strategic Planning takes place, and the sources of information that contributes to Capital Investment Strategic Planning is shown in *Diagram 2*.

Diagram 2.


Charter of Social & Fiscal Responsibility [2] (includes Global Budget Strategy)
Financial Administration Acts, Standards, Policies
Capital Investment Strategic Plan (CISP) (including maintenance)
Capital Works Management Framework
Maintenance Management Framework
Strategic Asset Management Best Practice Guidelines
How-To Documents of Strategic Planning
IT Tools (Databases and Spreadsheets)

What is the purpose of Capital Investment Strategic Planning?

The purpose of Capital Investment Strategic Planning is to ensure that new and existing agency assets are:

- managed efficiently, effectively and economically in the provision of quality services;
- used for their intended purpose; and
- put to their optional long-term use.

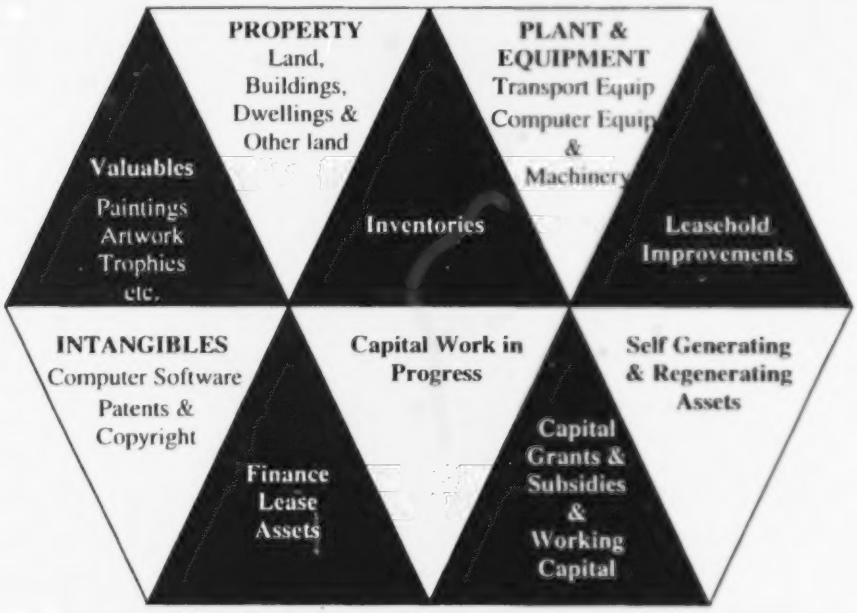
Capital Investment Strategic Plans will:

- document plans for the asset resources to be used in educational output production;
- improve consideration, planning and monitoring of the recurrent expenses (both maintenance and operating costs) related to capital investment;
- improve the alignment of asset resources with output production requirements;

- encourage the examination of options for delivering services (capital investment, capital grants, private sector involvement); and
- foster a proactive planning culture of anticipating future asset requirements.

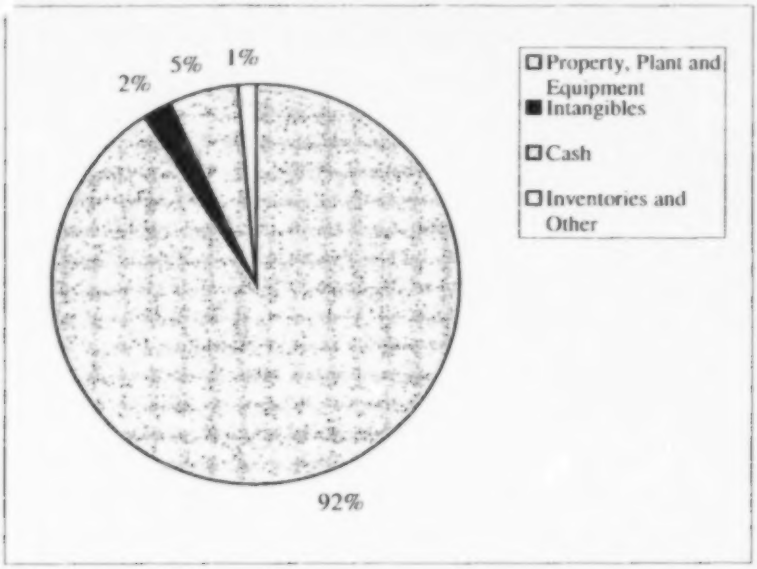
What is capital?
Capital includes all balance sheet assets (i.e. net assets) plus capital grants and subsidies. *Diagram 3* defines what is included in capital.

Diagram 3



The total assets for the Department of Education and Training are just under one billion dollars ($980M). Most of which are located at the 16 Technical And Further Education Queensland Institutes. Property, plant and equipment are the overwhelming majority of total assets (over 90%). This is shown in *Diagram 4* below:

Diagram 4: Capital items as a percentage of total assets (total assets = $980M)



Additionally 15.7% ($130,716,500) of total expenses incurred in 1999/2000 are directly attributed to the ownership and operation of capital assets.

This is all the more reason to have effectively analysed, strategic asset information on the table at the corporate level. Costs in these areas can be higher if you consider the loss of efficiency, effectiveness and economy through less than optional design, functionality and condition.

Kelvin Crump, Business Manager
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CASE STUDY – Capital Investment Strategic Plan for Gold Coast Institute of TAFE, Department of Employment and Training, Queensland, Australia

The case study is for a major regional Technical And Further Education (TAFE) Institute on the Gold Coast in Queensland, Australia. The Capital Investment Strategic Plan has been carried out in accordance with the Queensland Government Treasury Guidelines. By the end of the financial year 2002/03 all 16 Technical TAFE Institutes in Queensland will have Capital Investment Strategic Plans. This Capital Investment Strategic Plan was completed in January 2002 and has already had a significant impact on the Institutes' corporate strategic planning process.

There are six major components of the Institute Capital Investment Strategic Plan:

1. Executive Summary
2. Current Institute Outputs
3. Asset Needs for Service Delivery
4. Gap Analysis
5. Type and Nature of Assets
6. Strategy

The following is a summary of the information gathering and analysing phases included in the executive summary:

Introduction

Gold Coast Institute of TAFE has been through a period of internal reorganisation and retraining of staff to better prepare for the future. The Institute is trading profitably and, more importantly, has staff and an organisational structure that have an acute customer focus and a dynamic, proactive approach to delivering vocational education and training.

The reorganisation of the operational area has delivered a reduction in unit costs, as evidenced by the Institute's successful financial performance. It is thought however that any further gains in this area would be marginal without investment in improved utilisation of the built environment and plant and equipment.

The "bricks and mortar" of the Gold Coast Institute of TAFE are relatively young and in reasonable condition. Therefore, capital investment needs to be targeted on improvements that are less about "bricks and mortar" and more about understanding the existing asset

stock, the plant and equipment, and about how the educational process interacts with, and is assisted by, this infrastructure.

It is clear from the evidence at Gold Coast Institute of TAFE, and other TAFE Institutes studied, that the utilisation of the built assets and the currency of plant and equipment is not optimum. Quantifying the shortfall is currently not possible as the performance measures defining optimum utilisation of existing built assets and plant and equipment have not yet been determined or agreed across the whole of TAFE Queensland.

This is the first Capital Investment Strategic Plan prepared for the Gold Coast Institute of TAFE. It has been prepared in line with the **Queensland Treasury Capital Investment Strategic Planning** guidelines and ANTA's **'An Australian National Training Authority's Accountability Framework for VET Infrastructure Report'** (August 2000).

This Plan gives an overview of the key issues and strategies for capital investment, maintenance and disposal planning to meet the strategic service delivery goals of the Institute. The maintenance planning is based on thorough condition assessments of the buildings and all large plant and equipment. The maintenance plan to emerge from these assessments is comprehensive and is included as an attachment. The body of this plan focuses on capital investment and disposal.

As at 30 June 2001, the **total written down value** of the Institute's assets was **$64,445,649**, comprising of $52,317,749 in buildings and land and $7,230,100 plant and equipment assets (motor vehicles, furniture, computer equipment and $4,897,800 of capital works in progress). The Institute has an **annual turnover** in excess of **$24.0m.** The Institute delivers vocational education and training (VET) from four campuses.

The Capital Investment Strategic Plan has been developed in **consultation** with **Institute staff** to provide opportunity for the presentation of their views and to have them considered for inclusion in the Plan.

The key strategic issues faced by Gold Coast Institute of TAFE and the strategies developed to address these issues are summarised below. A more detailed analysis and description is to be found throughout the plan.

This document is based on the Institute's business plan and in the context of:

Educational and market issues:

1. Substantial population growth in the northern part of the catchment;

2. Growth of the ELICOS market;

3. Growth in service delivery based on past performance and sustainable trends;

4. Planning and implementation of a Centre of Excellence in Information Technology Training, based on culture and learning resources, not a specific building;

5. Recognition of the value in integrating educational sectors;

6. The value of partnerships to support Gold Coast City Council and government priorities, specifically in the Information Technology (IT), education and marine vocational areas.

7. The need for more detailed data on:
   - unmet service demand in the catchment area;
   - usage of the current facilities;
   - the real cost of running each course/module/training package.

Asset issues:

8. Continued absorption of surplus built asset capacity and rationalising and refurbishing the existing asset base in a "whole of institute" approach;

9. The refurbishment process recognises that the built assets are relatively young and, although in good condition, are in need of upgrade;

10. The need to create as much generic – flexible – space, as possible. This generic space should be designed so that it can be fitted out quickly, inexpensively and internally to allow the Institute to respond rapidly to changes in service delivery;

11. The planning for the disposal of the oldest campus at Ridgeway Campus;

12. The Asset Condition Assessment (Learning Resources) – plant and equipment – and the resultant upgrade and replacement plan;

13. The development of an Asset Maintenance Plan and the need for ongoing replacement of plant and equipment to ensure that the Institute resources are no more than three years behind the particular industry standard.

1. Institute Planning

Gold Coast Institute of TAFE develops a range of integrated plans to ensure the whole business is covered and that all plans are focused in the same direction. The diagram below puts this Capital Investment Strategic Plan in the context of the Gold Coast Institute of TAFE's overall planning structure.

The asset related plans within this structure are highlighted in the lighter colour.

The essence of the Gold Coast Institute of TAFE strategic plan is:

Mission Statement
"People Succeeding Through Quality Learning"

This was developed and agreed in 1998 and remains relevant to stakeholders in 2001, representing the core activity of the Institute.

Institute Vision
Following the strategic planning process in 2001, which involved all key stakeholder groups, the future vision statements for Gold Coast Institute of TAFE were agreed, as follows:

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"By 2004, Gold Coast Institute of TAFE will:

1. *continue to be the dominant provider of VET in the Gold Coast Region with strong industry and community respect;*

2. *be an innovative and focused organisation, utilising technologies, resources and delivery systems to provide client focused training services within local and international markets;*

3. *be a recognised leader in the field of Information Technology within the local and international education sector;*

4. *have maintained on-going financial viability through the efficient and economic utilisation of its capital assets and human resources producing the capability to support future growth and innovation;*

5. *have exemplary workforce capability through implementation of flexible resourcing while providing a challenging, rewarding and motivating environment for staff;*

6. *have achieved enhanced client satisfaction levels across all programmes and value added services; and*

7. *have extended the existing, and embraced new business partnerships which support the economic and social growth of the Gold Coast region across community, industry and agency stakeholders;*

resulting in the Institute being the leading regional provider of VET in Australia and the destination of choice for international students coming to Queensland."

Key strategies of the strategic plan

The key strategies of the strategic plan covering 2001/04 are outlined below. The strategies marked with an asterix (*) are those directly affecting the construct of this plan and which are related directly to assets.

Industry and Community Respect	1. Strengthen links with industry reference groups 2. Develop working relationships with ITABs 3. Promote positive and dynamic community image 4. Strengthen working relationships with schools 5. Develop mutually beneficial integrated programmes with key schools 6. *Forge links with local and state government agencies for market information and local developments such as the Marine precinct.

Market Position	1. *Research and analyse unmet market demand 2. a. Review resources b. Detail market plans with emphasis on branding strategies 3. a. Enhance Gold Coast Institute of TAFE web site b. Increased effective use of electronic mediums for internal communications and presentations c. Implement client relationship management systems
Innovation	1. *Establish an IT Centre of Excellence 2. Research emerging technologies 3. *Work with GCCC and major IT innovators
Financial Viability	1. *Assess assets – condition and utilisation 2. *Develop investment plan focusing on business growth and improvement 3. *Review alternative sites for delivery 4. Continue advocacy role for increased funding to Gold Coast training
Workforce Capability	1. Attract and retain highly skilled staff 2. Develop and implement workforce capability plan 3. Implement appropriate delivery strategies 4. Establish contemporary reward and recognition strategies 5. Improve communication across the Institute
Client Satisfaction	1. Establish appropriate methodologies and processes to identify and respond to: a. client and industry needs b. measure client and industry satisfaction 2. Minimise attrition rates 3. *Establish seamless pathways between education sectors
Business Partnerships	1. Formalise and promote existing and new partnerships 2. Monitor strategic value of all partnerships 3. Look for opportunities for new partnerships 4. Support professional development in partnering and relationship management 5. *Work with GCCC on regional development issues to meet training needs of region

2. *Current Institute Outputs*

The Gold Coast Institute of TAFE delivers a broad mix of courses to promote vocational education and training. This broad mix reflects the range of social and cultural demographics of the region. The full mix of courses is provided in detail in the Environmental Scan.

The outputs in terms of products are:

- **Vocational Courses** – Certificate II, III, IV and Diplomas (Level V). A sub group in the array of vocational courses is the **User Choice** products, which include **apprenticeships** and **traineeships**.

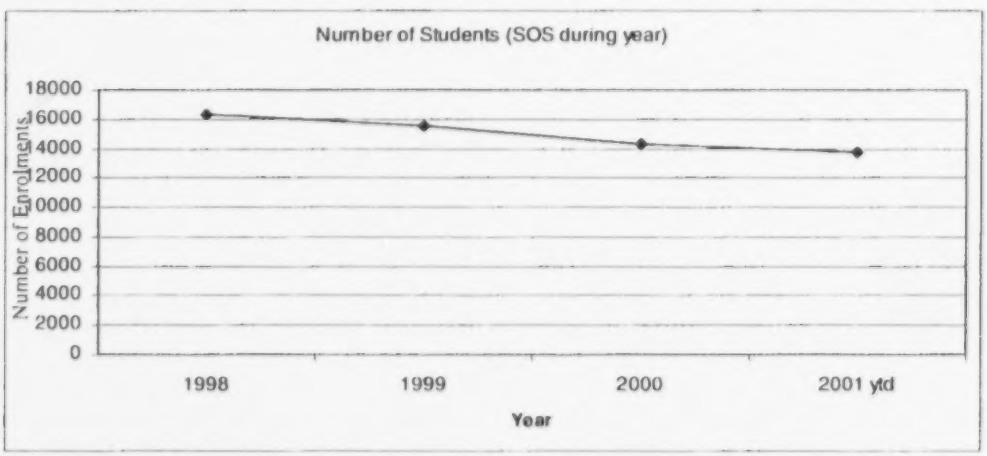
  Of the four vocational areas most affected by these changes, student numbers in:

  - construction are rapidly growing with a change from 98 students in 2000 to 136 up to September 2001;
  - IT numbers have grown from 388 in 1998 to 583 year to date (ytd) in 2001;
  - Horticulture have increased from 176 to 218 students over the past two years; and
  - Marine have been slowly declining from 388 to 175 ytd over the past three years.

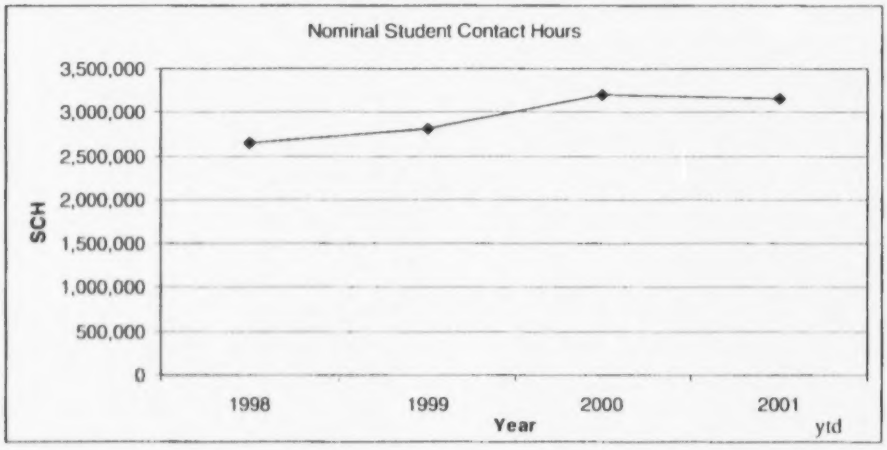
- **ACE Courses** – hobby and personal development courses. These courses provide a good introduction to Gold Coast Institute of TAFE and to vocational courses.

Gold Coast Institute of TAFE's priority outputs are measured in terms of number of students, graduates, successful completions and load student contact hours (SCH = number of students x number of hours they are enrolled).

The following graph shows decline in the number of students over the past few years, in contrast to the rise in load. This is a reflection of the increased proportion of full time students.



The following graph shows the increase in Student Contact Hours (SCH) between 1998 and 2001 ytd. This is supported by an increase in the full time student numbers, despite the downturn in overall numbers. The output in SCHs, by industry, is shown in the Environmental Scan.



In the past, the Gold Coast Institute of TAFE has seen itself as the primary implementer of government policy for training in the region and has had to accept the funding dollars per AHC on the government funded courses, with no hard evidence to show that the real cost of each course is being covered. This was done in the knowledge that this income did not necessarily cover the cost of delivery.

In addition, the product itself can no longer be defined as just courses, as there is increasing demand for specific modules and module combinations and an increasing demand for competencies and combinations of parts of courses. These increasingly sophisticated combinations of service delivery have tended to cloud the issue of income versus costs. Gold Coast Institute of TAFE has ensured viability in this uncertain environment by introducing a pricing policy and practices which maximise income through fee for service modules, leveraging on the government funded modules. However, systems need to be put in place to provide the data which will enable the true cost of delivery to be tracked.

The choice of products to sell is based on:

- The strategic priorities set by the Department of Employment and Training (DET);
- Market research; and
- Opportunistic response.

The range of market data is extensive but is lacking specificity in some areas and could be more effectively used to support the development of products.

Financial Outputs

The costs of these outputs show that Gold Coast Institute of TAFE has a low average cost of delivery, compared to both national and state average costs, as evidenced in the table below:

Agency	Average Cost Per ACH
National VET Average	$14.32
State Average	$15.08
Gold Coast Institute or TAFE Average	$9.08

** Source: Table 4A.30 Productivity Commission Report of Government Services 2001 and DoT data*

Financially the Institute is in a strong position with an operating surplus being generated for the past three years. Revenue and expenses are carefully tracked and outputs are positive. However, in some areas there are inadequate systems and data, such that expenses cannot be minimised. This is particularly in the asset management area where there is not a computerised, integrated Asset Management System. Without this system it is difficult to efficiently track assets or to ascertain efficiency in asset utilisation.

What is clear from the financial reports is that federal government funding is in decline in real terms and to remain viable Gold Coast Institute of TAFE will need to remain cost efficient and to be innovative in commercial marketing, including pricing.

Overall Implications

To maximise efficiency in these outputs Gold Coast Institute of TAFE needs to gain a better understanding of:

- its costs;
- emerging markets and opportunities; and
- business details in the form of utilisation rates and asset management.

3. Asset Needs for Service Delivery

Issues Arising From Customer Research, Expectations and Market Growth

The Gold Coast Institute of TAFE local catchment area is considered to be the Gold Coast City between the Logan and Tweed Rivers. There are also sections of the Tweed Shire population in New South Wales (NSW) that choose to use Gold Coast Institute of TAFE. This catchment area represents 12.1% of the total Queensland population.

The Gold Coast has the second fastest population growth in Australia with a current population of the Gold Coast City alone of 380,000 and is expected to be approximately 480,000 by 2006. The age profile is generally the same as the rest of the state with the exception of the aged population, which is 2% above the state average – this is lower than generally perceived.

The Gold Coast Institute of TAFE Environmental Scan provides a thorough analysis of the market as well as the business but for the purposes of asset planning, the issues to note are:

- Significant growth in the northern section of the catchment, particularly Coomera – an area currently un-serviced by the VET sector. The growth in the northern end is expected to be 60% over the next ten years.

- Predicted demand in the northern catchment is in the following areas:
    - Sales
    - Retail
    - Office administration
    - IT
    - Language and literacy
    - Youth programmes

- The population age data shown here shows no significant drop or rise in the primary market of school leavers over the next few years.

- Gold Coast's unemployment rate is the second highest in the state, both generally and in the target group of 15-24 year olds. The Tweed area has even higher unemployment than the Gold Coast.

- The industry profile on the Gold Coast is not typical of Queensland as a whole. The retail trade ranks highest followed by property and business services, with the manufacturing sector surprisingly high at third, construction at fourth and hospitality fifth. The fluctuating nature of the construction and hospitality industries creates issues and opportunities in training.

- Gold Coast City Council (GCCC) are targeting the education, marine, and IT areas for development.

- A high proportion of **small business** – 24% of the state's small business is within the Gold Coast, with only 12% of the population. The nature of small business makes it difficult to communicate with an industry body. In addition to this, training is difficult for small organisations as they do not have the flexibility to cover absent staff and they want to train within their specific community.

- The Gold Coast is one of the two **lowest VET funded** regions within the state, on a per head basis.
- Dominance of a well defined catchment by Gold Coast Institute of TAFE and relatively **low participation** rates means emphasis needs to be placed on increasing the market penetration, not encroaching on competitors.
    - International education is one of the fastest growing industries on the global market. 97 million people are expected to participate in higher education by 2010. Further, with globalisation there is a high demand for tertiary training/education delivered in English. The major players in this market are the USA, UK, Australia and Canada. The number of visas being processed within Australia is increasing each year.

      Gold Coast Institute of TAFE has the major competitive edge of:

        - Desirable location; and
        - Gold Coast tourism marketing.
    - ELICOS (English Language Intensive Course for Overseas Students) and vocational student numbers at Gold Coast Institute of TAFE are growing.
    - The Gold Coast Institute of TAFE has both the ELICOS and IELTS (International English Language Testing System) centres. The Institute has taken on its own international marketing programme to capitalise on these advantages.
    - Overall student numbers are declining but the number of student contact hours – the measure of load on resources – has increased, which is supported by the rise in full time relative to part time students.
    - Following refurbishment and expansion of the Coolangatta Campus, space utilisation rates are currently low.
    - Current penetration in the Tweed market is not high, with only 4% of Gold Coast Institute of TAFE students from NSW.
    - The withdrawal of TAFE NSW from the border area will add to the potential intake.
    - IT support, industry and demand is high on the Gold Coast.
    - Postcode analysis shows that students are geographically sensitive in selecting their campus.

Demand Forecasts

The table below lists the strategic priorities for the Gold Coast. These strategic priorities are based on either a skills shortage or a potential skills shortage through projected market growth in which state strategic priorities are set around developing industries and skill shortages. Regional priorities are based on industries with large volume, considered cash cows (CC) and on emerging industries with skill shortages, considered the rising stars (✪).

Training Priorities

INDUSTRY/CLIENT GROUP	SPECIFIC AREAS OF SKILL
State Priorities	
Information Technology	Certificate II to Diploma: Software applications, general, network administration, network management, multimedia, technical support, software development, network engineering
Government	Certificate II
Aboriginal and Torres Straight Islanders	Certificates II & III: Public and community administration, educational and vocational access
Marine	Certificates II & III: Engineering, operations (Coxwain and Master Class 5)
Tourism	Certificate III: International retail travel sales, heritage and interpretative tourism
Hospitality	Certificate III: Food and Beverage
Horticulture	Certificate II to IV: Parks and gardens, nursery, landscape
Furnishing	Pre-employment
Community Services	Certificate III to Diploma: Community work, children's services, mental health work (non-clinical), child protection, statutory supervision and juvenile justice, alcohol and other drugs work, disability work, aged care work, indigenous primary healthcare
Gold Coast Priorities	
Building (skill shortage)	Construction
Sport and Recreation	Fitness
Natural Therapies	Naturopathy, massage, acupuncture
ELICOS	Full fee recognised English language training
ESL (CC)	English as a Second Language
International Vocational Training	Range of courses – refer to CRICOS list in the Gold Coast Institute of TAFE Environmental Scan
Adult training (CC)	Adult tertiary preparation, vocational access
Tourism (CC)	Tourism general
Business (CC)	Office administration

The table is considered a reasonable indicator of industries where the demand for skills will grow over the short to medium term. The skills shortage identified has been translated into training needs and has been taken into account in the development of the Capital Investment Strategic Plan.

The following list targets Gold Coast industry clusters and the rationale for designation as a target. This is not to suggest that other industries are not important and some are much

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larger. The list indicates those industries the Gold Coast City Council is promoting as growth areas. These may not be high demand industries as some are still in seed form and, although growing, are working from a small base.

Target Gold Coast industry clusters by the Gold Coast City Council

Industry	Rationale
Biotechnology	Biotechnology, which promises to be the next major wave of technological change, is a key focus for the Australian and Queensland governments and has a new but significant foothold in Gold Coast City.
Communication, Information and e-business	The fastest growing industry in the world and an enabler for all industries.
Education, Research and Training	Fundamental to economic growth.
Environmental	Projected to grow strongly.
Film and Interactive Media	Gold Coast has existing strengths in the international film industry.
Food, Beverage and Aquaculture	Food processing is the largest manufacturing industry in Australia with a turnover of $44 billion and the fastest growing sector of manufacturing exports, with export growth averaging 11% per annum.
Health and Medical	One of the fastest growing Gold Coast industries with increasing R&D, technology adoption and export development potential.
Marine	Gold Coast is Australia's leading region for recreational boat building.
Tourism, Sport and Entertainment	The largest current industry sector, projected to remain an important component of the Gold Coast economy.
Urban Development	Extensive skills base has developed in an industry with a total value of work of approximately $1.5 billion.

There are no products with significant diminishing demand. There are some products in gradual decline but they have high barriers to entry and so once out of these areas it could be difficult to regather the market.

In **summary,** the forecast demand is:

- Continuation of existing product demand;
- Very high growth in the northern area of the catchment, where there is predicted demand for business orientated studies, youth and literacy programmes and IT;
- High demand in IT;
- High increase in demand in Marine from a relatively low base;
- Increasing demand for Construction from the industry;
- Increasing demand for Natural Therapies from potential students; and
- Rapidly increasing demand for ELICOS.

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Current Level of Service
Over the 1999/2000 fiscal year, Gold Coast Institute of TAFE delivered 3,199,010 Student Contact Hours of which 1,609,734 were state funded. In 2000/01 financial year Gold Coast Institute of TAFE's target is 3,000,000 SCH. Current indications are that this will be exceeded.

Refer to the Environmental Scan and section 2 for the detailed outputs achieved by Gold Coast Institute of TAFE with regard to students, courses, finances, etc.

Desired Level of Service
The Institute expects to increase AHC over the next years by approximately 5% per annum. This increase is targeted at the more profitable markets of ELICOS and fee for service modules and competencies, given that federal government funding is declining in real terms.

Given Gold Coast Institute of TAFE's strong financial situation most asset needs are covered for existing courses. The assets required are to meet growing demand in the areas of:

- IT
- Construction
- International and specifically ELICOS
- Youth course
- Marine
- Natural therapies

Summary of Asset Needs
Current asset needs are met provided maintenance and replacement needs can be covered. However to grow the market, which is necessary to counteract the decline in subsidised training, capital investment is required in specific growth areas and where there is commercial opportunity.

4. Gap Analysis

The creation of a **Centre of Excellence in IT** will require not just the one-third replacement of desktop hardware per year, as is policy now, but additional purchases of specialised hardware and software for the range of all 27 vocational training areas within Gold Coast Institute of TAFE's training scope. There will be no centre as such and so capital investment will be enabling Technology and staff training. Refer to the Centre of Excellence in IT Training submission.

The Centre of Excellence infrastructure has implications not just with regard to IT resources but to building resources in regard to power, air conditioning and cabling. To maintain flexibility in classrooms, consideration also needs to be given to IT labs which can also double as classrooms.

The demand in the northern area of the catchment cannot be serviced without the addition of a facility in the area. Population growth and skill demands would suggest that a facility would include at least two classrooms and two IT labs of flexible design.

The building of a State High School at Coomera provides an opportunity in this area. Gold Coast Institute of TAFE could take the opportunity to integrate training with the high school through building a purpose built set of classrooms on their land. This arrangement would be on a buy back basis as the school grows. The advantages of this strategy would be that:

- The site is positjoned well within the growth area and is on the train line;
- An opportunity exists to integrate VET into the high school;
- An opportunity is created to share resources such as IT labs, kitchens, sports fields;
- Seamless transition and multiple on-campus options for students could be achieved; and
- When growth outstrips the two classrooms, a larger facility could be built on land nearby already zoned for education. It is possible to obtain an option on this land which will hold for five years.

Capacity/Utilisation
On the basis of the utilisation study, it is apparent that the Institute currently has surplus capacity. The time tabling of this capacity is always an issue.

There is a need to collect and analyse further, more detailed data to allow effective decision-making on utilisation of this surplus capacity. However, the steadily increasing demand for services and the Institute's initiatives to cater for that demand will see that surplus capacity absorbed over the coming years.

Asset Condition/Service Standard
A number of Institute buildings are in need of some maintenance work, and large areas of the campuses need refurbishment to overcome functional inadequacies. This is not unexpected given the stage of the lifecycle of these buildings. A Condition Assessment and resultant strategic and operational Maintenance Plans have been produced by QBuild and Gold Coast Institute of TAFE to ensure buildings and plant and equipment remain in good condition.

The primary issue, as already discussed, is to refit this existing space within the main campus in a way that allows flexibility in the future and allows the Institute to respond quickly and cost effectively to opportunities as they are presented.

Data and Systems
The Institute currently has a situation where it is very difficult to obtain accurate and meaningful data from an asset management and financial perspective. The major cause of this is not management or personnel related. It is the result of the poor configuration, functionality and interfacing of TAFE Management Information Systems.

For example, current systems do not facilitate:

- Accurate estimation of asset utilisation;
- Management of capital budgets, i.e. major/minor works;
- Costing and pricing; and
- Facility management.

This needs to be addressed if the Institute is to have the data to better understand the opportunities and limitations of the built assets and plant and equipment within the campus and have the tools with which to analyse the most efficient usage of the whole campus.

Non-Discriminatory Disability Access (NDDA)
Closely related to Asset Condition is the issue of Workplace Health and Safety. The majority of the Institutes' buildings were constructed at a time when Workplace Health and Safety and NDDA requirements were substantially less stringent than they are today. As a consequence, there are a number of Workplace Health and Safety and NDDA issues across the Institute.

Workplace Health and Safety issues are covered in the Strategic Asset Maintenance Plan.

5. *Type & Nature of Assets*

Buildings

Essentially the Gold Coast Institute of TAFE works from 4 campuses as shown below.

List of Campus Buildings

Campus Name	Address	Total Area	Building Name	Building Use	Built Area M^2
Ashmore	Heeb St and Benowa Rd	13.027HA	A Block	Administration	4,337
			B Block (1)	Technology	4,780
			B Block (2)	Demountable Classrooms	160
			C Block	Technology	3,911
			D Block	Humanities/Tourism & Hospitality	6,857
			Caretakers Cottage		210
			Sports Grounds/Rugby Club		222
			Store		30
			Shed and Tractor Garage		77
			Child Care Centre	Child Care Centre	725
Ashmore	**Total**				**21,309**
Coolangatta	1 Dixon Street	3,966M^2	TAFE Campus		1,985
Coolangatta	**Total**				**1,985**
Ridgeway	71 Ridgeway Avenue	1,526 M^2	Pye House		134
	72 Ridgeway Avenue	32,740 M^2	A Block	Adult Literacy/Horticulture	1,041
			B Block (1)	Business/Industry Training Centre	194
			B Block (2)	Business/Industry Training Centre	405
			B Block (3)	Administration	268
			B Block (4)	Amenities	77
			Propagation Rooms		98
			Workshed		198
			Plant Nursery		167
			Hot House		87
Ridgeway	**Total**				**2,669**
Southport	91-101 Scarborough St	5,324 M^2	Broadwater Campus		15,015
	91-101 Scarborough St	5,324 M^2	The Terraces		4,431
Southport	**Total**				**19,446**
Grand	**Total**				**45,409**

Coolangatta Campus has recently undergone major refurbishments. Southport is a converted shopping centre and as such is not purpose built. As a result, the rates of space usage are likely to be lower than in a comparable purpose built facility. All campuses are in good condition.

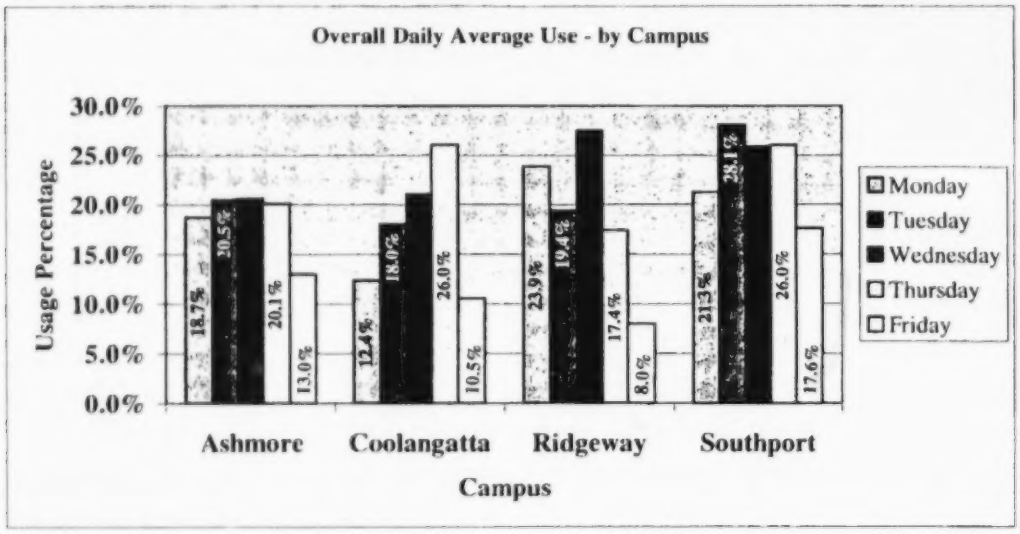
Utilisation

Utilisation data has been extracted from the CAP system, which predominantly works on room bookings, not necessarily room usage and number of students to room capacity. As a consequence, to more accurately identify room utilisation, a more comprehensive utilisation study is required. However, the results of the survey are shown below and are indicative of current utilisation levels.

As with other Institutes studied, the utilisation rate is low compared with other sections of the education system. For example, higher utilisation rates can be expected from primary and secondary schools. However the utilisation rates for other higher education facilities, such as universities, are not available and therefore no comparisons can be made at this stage.

The issue of benchmark or acceptable utilisation rates needs to be resolved within TAFE Queensland in order that the individual Institutes have targets that are considered acceptable and achievable.

Utilisation – Overall Daily Average Use – By Campus



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Valuation of Building Assets

The table below gives a breakdown of building valuations by replacement cost and written down value.

Campus	Address	Valuation Date	Valuation $M			
			Land	Improv	Total	1996
Ashmore	179 Heeb St	7/05/01	11.075	22.720	33.795	35.545
Southport	91-101 Scarborough St	19/06/01	3.450	6.700	10.150	31.130
Pye House	71 Ridgeway Ave	23/05/01	0.090	0.055	0.145	0.066
Ridgeway	72 Ridgeway Ave	28/03/01	2.960	nil	2.960	3.798
C'gatta	1 Dixon St	28/03/01	1.290	1.873	3.163	3.952
TOTAL			**$18.865**	**$31.348**	**$50.213**	**$74.491**

These valuations need to be studied to ascertain the effects they have on current decision-making.

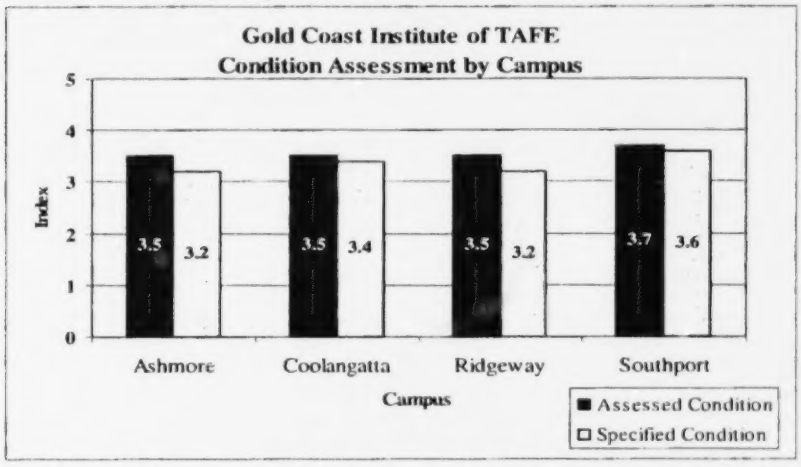
Almost all the buildings have substantial remaining life without need for heavy expenditure on refurbishment to the structures. However further data collection is likely to highlight that space usage is inefficient and a business case will need to be compiled to increase the efficiency on space usage particularly in the Southport Campus.

Condition Profile

A Condition Audit has been conducted at the Institute by QBuild. The results are summarised below.

The graph indicates that the facility conditions of all the campuses are above the standard specified under MMF by the Institute. For a complete analysis and forward plan refer to the Strategic Asset Management Plan.

Condition Assessment by Campus



In summary, the asset stock is in good condition with sufficient useful life remaining to justify capital investment in refurbishment to improve utilisation. It should also be noted that the portfolio to be retained, whilst not ideal, has an ability to be refurbished reasonably easily with no significant impediment to radically altering spatial usage should this be deemed necessary.

Plant and Equipment

General

The assets identified as due for replacement are predominantly plant and equipment (including information, communication technology) assets. The table below shows the cost or market value of plant and equipment assets broken down into NBV (Net Book Value) and accumulated depreciation. Depreciable plant and equipment are approximately 47.2% depreciated which is the most reliable indication available at present of obsolescence.

The level of depreciation of plant and equipment at Gold Coast Institute of TAFE is representative of the situation in many other TAFE Institutes. There is a need for a co-ordinated approach to collect more data and to formulate a TAFE-wide strategy to provide more rapid responses and funding solutions to the replacement of obsolete plant and equipment.

Depreciable plant and equipment has a total replacement value of **$13,683,900** consisting **$7,230,100** (Net Book Value), **$6,453,800** (Accumulated Depreciation).

The table below clearly shows the level of accumulated depreciation and the implication is a need to maintain or increase an ongoing replacement programme for the replacement of obsolete plant and equipment.

Asset Value by Class

Type	*Acquisition Value $*	*Accumulated depreciation $*	*Net Book Value (NBV) $*	*Percentage Depreciated*
Furniture	34,100	9,800	24,300	28.7%
Motor vehicles	68,500	53,700	14,800	78.4%
Plant fully depreciated	3,906,800	2,731,200	1,175,600	69.9%
Capital works in progress	4,897,800	0	4,897,800	
Computer equipment	2,902,800	1,785,200	1,117,600	61.5%
Artworks portable	800	800	0	
Computer equipment portable	763,600	763,600	0	
Plant portable	1,109,500	1,109,500	0	
TOTAL as at 31/01/2001	**13,683,900**	**6,453,800**	**7,230,100**	

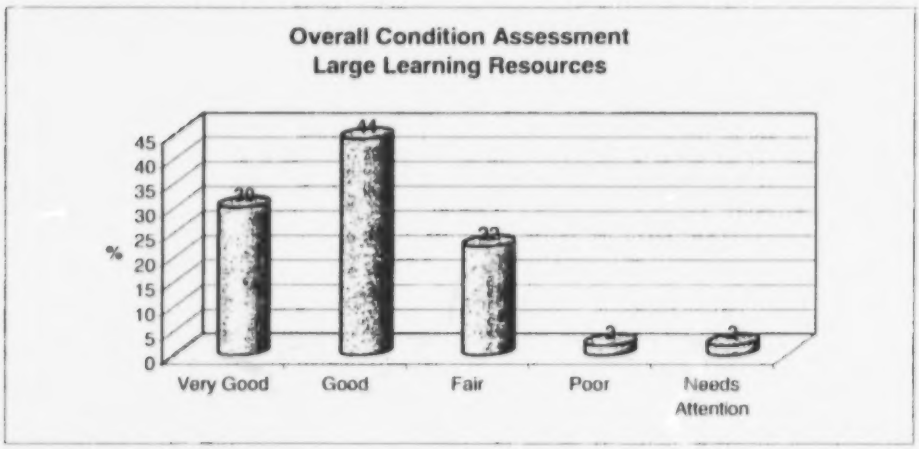
All buildings and associated plant and equipment have been assessed for condition and as a result the maintenance plan evolving from this covers much of the plant and equipment as well as buildings.

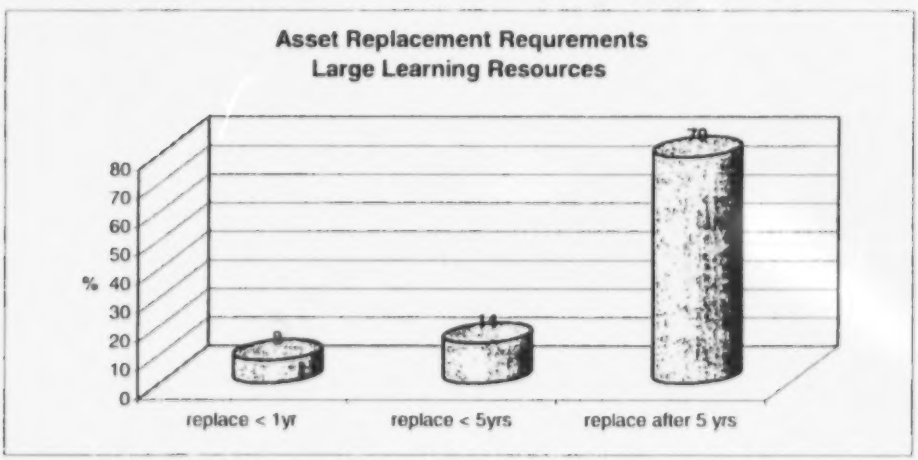
The Centre of Excellence in the field of IT Training will significantly impact on IT requirements.

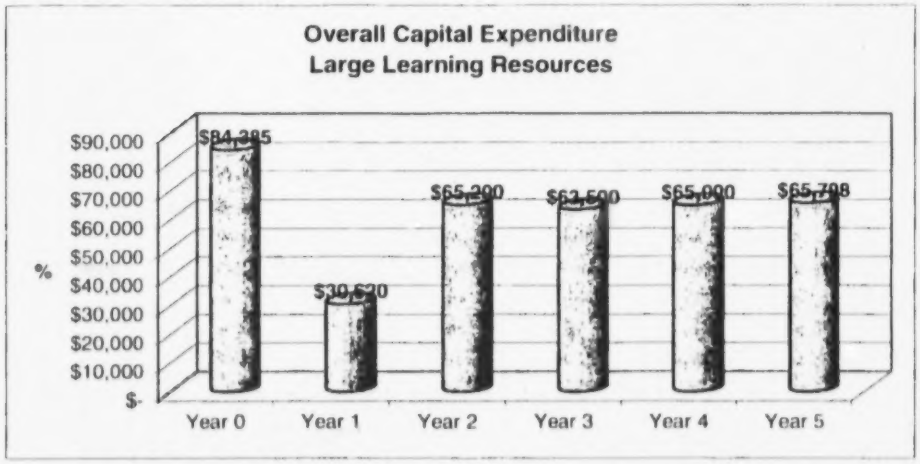
Refer to the Centre of Excellence in IT Training Project plan. For information on the desktop hardware refer to the PC Roll Out Project Plan.

Learning Resources

A condition assessment was undertaken of plant and equipment in the category of learning resources. The overall average of results was good. The graphs below indicate the overall standard of these learning resources and predicted expenditure.







Non-asset Options

The potential non-asset options have been identified as:

- **Option 1**. Greater use of off-campus delivery thus reducing the need for the Institute to acquire additional space;
- **Option 2**. Increased use of existing campus facilities during normal business hours;
- **Option 3**. Increasing the range of hours over which training is delivered by rescheduling classes;
- **Option 4**. Rather than owning assets or taking long term leases, in future negotiate rent or short term lease arrangements; and
- **Option 5**. Greater use of on-line delivery and distance education thus reducing the reliance on 'brick & mortar' assets and a 'bank' of desktop PC's.

The success or otherwise of Options 1, 2 and 3 above rely heavily on client acceptance of any changes to timetables and to competitor strategies.

Option 4 would need to be carefully managed at all times to ensure an optimum mix of 'owned' and 'rented/leased' space – and long term average cost minimisation.

Option 5 would rely on the access and uptake of information and communication technology by the community at large, and the acceptance of these delivery modes given people's preferred learning styles.

Other Considerations

Information Technology and Telecommunication – This is a state government initiative and Gold Coast City Council initiative for the area – it is also one embraced by the Institute. IT, as a driver, influences:

- IT training;
- IT integration into all vocational training; and
- On-line and other forms of technology used on delivery of training.

Disposal – As a consequence of the decision of the 21 April 1999 CBRC Strategic Meeting, the Department of Employment and Training and the Institute have the opportunity to rationalise and dispose of surplus TAFE facilities, with retention of proceeds to enable re-investment upon submission and approval of Infrastructure Business Case(s). While this initiative will provide an opportunity for the Institute, there may be significant political issues as well as practical issues of disposal that will need to be carefully managed.

Equity Return – The government implemented an equity return policy effective 1 July 1999. The equity return rate has been set at 6% and the concept is intended to make clear the cost of capital in outputs. The first years of the new regime have been fully funded and the actual monetary effect on Institutes, so far, has been nil. The application of the charge on Institutes has yet to be implemented.

Asset Valuation – Gold Coast Institute of TAFE was subject to a comprehensive revaluation in 2001. The valuations are critical to a number of aspects of asset management and the budget process.

Art Built-in Policy – Cabinet has approved an Art Built-in Policy that requires 2% of capital works costs to be expended on art.

10% Trainees Policy – Policy requires that 10% of all workforces employed on construction projects are made up of apprentices/trainees.

Performance Indicators – The vocational education and training system, nationally, lacks a consistent set of key performance indicators capable of providing adequate management information on the use, effectiveness and efficiency of capital. In view of the significant changes in accounting treatment of capital and the introduction of an Equity Return regime, the development of such indicators is critical.

Age of Building Stock – Very few of the buildings are more than 30 years old and, given an 80 year economic life, this suggests that these assets will not require a mid-life major refurbishment to maintain their value and reduce on-going major maintenance within the foreseeable future.

Depreciation funding – The current approach to calculating depreciation expense does not reflect the true cost of wear and tear of the existing stock of assets.

6. *Strategy*

Acquisitions Strategy

There are building and refurbishment needs but no acquisition strategies identified for the foreseeable future.

Proposed Major Investment Projects

Project Name	Project Description	Contribution to Service Delivery	Employment Impact	Location by LGA
Centre of Excellence in IT Training	HR & IT investment	Increased industry currency	Leaders in employment	GCCC
Coolangatta:				
University Partnership	Fit out	Increased articulation	Increased incentive and convenience to stay in training	GCCC
Construction Facility	Fit out	Increased market penetration in an un-serviced area	Provide additional work skills to the Coolangatta area	GCCC
ELICOS Centre	Fit out	Increased market penetration in an un-serviced area	Increase of international money in the local businesses and community	GCCC
Coomera:				
High School Campus	Construction	Increased market penetration in an un-serviced area and integration with school curriculum	Seamless articulation to TAFE training	GCCC
Marine Facility	Fit out	Increased market penetration within an industry specific precinct	Increased training within the industry area	GCCC
Ridgeway:				
Horticulture Commercial Facility	Construction and fit out	Increased industry relevance and resource currency within training	Increased contact with industry to enhance job opportunities	GCCC
Ashmore:				
Youth Facility	Construction and fit out	To keep students who are lost to schools within the education and training system	Increase in job readiness of an 'at risk' clientele	GCCC
B & C Block Refurbishment	Refurbishment	Increased flexibility and number of classrooms	Increased volume of training and graduates	GCCC
D & A Block Refurbishment	Refurbishment	Increase quality and amenity of classrooms	Increased amenity	GCCC
Southport				
Increase Classroom Flexibility	Redesign and fit out	Increased volume of students accommodated in training	Increased volume of training and graduates	GCCC

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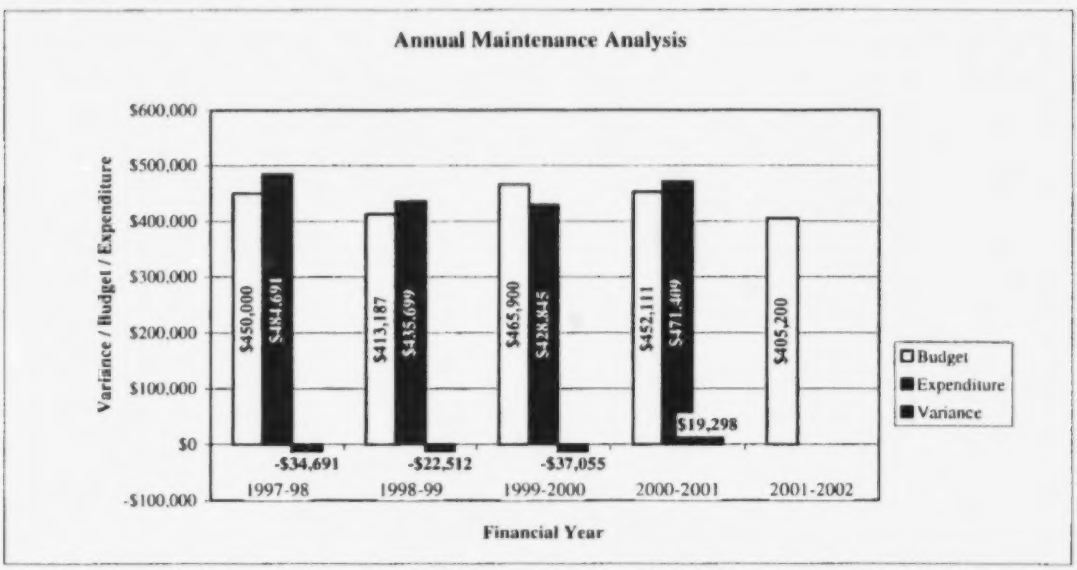
Continuing Major Investment Projects

Project Name	Project Description	Contribution to Service Delivery	Employment Impact	Location by Local Govt Area
Coolangatta Campus Project	Refurbishment and fit out	• Increased general classroom capacity; • Increased IT capacity; • Increased Access Education programmes	Increased volume of trained clients and increased financial activity within the Coolangatta community	GCCC

Maintenance

Maintenance Funding

The chart below shows the annual maintenance budgets and actual maintenance expense for the years 1997/98 to 2001/02.



The graph shows the maintenance budgets for the last three years. It shows the figure to be constant but using a rule of thumb of 1.5% of total replacement cost ($1,935,000 per annum) as an appropriate level of maintenance funding, the annual maintenance budget is under-funded.

A recent assessment of maintenance needs completed by QBuild has established a small amount of backlog maintenance that should be funded in the near future to ensure maintenance is kept under control.

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Redevelopment Strategies

Disposal Strategy: Forecast Disposals
Once work has been completed to accommodate the current courses run at Ridgeway Campus into other campuses, then it is expected that the whole of the Ridgeway Campus will be available for disposal.

Funding Sources

Internal Sources

The capital investments proposed will be funded through the sale of Ridgeway Avenue, the infrastructure and minor works funding and retained earnings.

The purchase of desktop IT hardware will be primarily funded through the Commonwealth and State Capital Development programme (CDP). Additional purchases will be funded through retained earnings.

The maintenance of buildings, plant and equipment will be funded through existing grants. As a result of the condition assessments of the buildings and associated plant and equipment by QBuild, and the same on learning resources plant and equipment by external consultants, a substantial amount of funding needs to be directed at maintenance and replacement. The amount required is well beyond that allocated in Gold Coast Institute of TAFE's current funding. This additional operating expense will be funded through retained earnings.

Depreciation funding

Depreciation is currently funded by the Department at a level equivalent to the depreciation expense. The balancing of depreciation revenue and expense is currently undertaken as an end of month process.

Proceeds of Asset Sales

The sale of Ridgeway Campus may provide up to $2.9M (based on the current valuation). This includes $145,000 from Ridgeway House (The old Pye House).

Retained Earnings

The Institute, through prior years' operating surpluses, has generated significant retained earnings. Based on predicted operating results for the year 2001/02–2004/05, the Institute intends to further increase retained earnings.

External Sources

Gold Coast Institute of TAFE is seeking external funding to seed the Centre of Excellence in IT Training.

Borrowings

Nil.

Departmental Equity Injections

Equity injections and withdrawals occur when the annual depreciation funding received does not balance against the Capital Investment Plan. If the Capital Investment is greater than depreciation, funding and equity injection occurs. Alternatively, if the Capital Investment is less than depreciation funding, an equity withdrawal is processed.

Summary of Impact on Operating Budget

Current business systems and models lack the integration and sophistication to enable an accurate assessment of the impact on operating budget to be developed. The Institute is currently addressing this issue.

Issues Affecting All Queensland TAFE Institutes

Many of these issues are common to all Queensland TAFE Institutes and a co-ordinated approach to the development of performance indicators and benchmarks will be essential to achieve a level of standardisation across the whole of TAFE in Queensland:

Performance Management Issues

- Lack of an agreed set of performance indicators, measures, standards and targets;
- Inability to accurately measure capacity and utilisation;
- Inability to simply and accurately integrate student numbers, and AHC, and course requirements into infrastructure/asset requirements, e.g. functional m^2, items of equipment.

The lack of these indicators and the data supporting them is making it difficult to identify real asset and plant and equipment needed across the campus for a particular anticipated course mixture. Without this data it is not possible to run simple models in a whole of campus approach to support and test strategic direction or changes to these directions.

Asset and Work Place Skill Issues

- The need to have appropriately trained and skilled staff to manage the Institute's infrastructure or at least to have the appropriate skills available to existing staff, whichever is the most economic; and
- Production of an asset strategic plan for built assets and plant and equipment.

It is deemed to be essential, particularly in the absence of hard data, to take the best advice available and to ensure that buildings are not considered in isolation but fit into a formal and tested asset strategic plan.

Compliance Issues

- The need to comply with state government policy initiatives, e.g. 10% training policy, 2% Art Built-in policy funding;

- The consequences of past under-expenditure on maintenance;
- The introduction of equity return;
- Monthly reporting on capital budgets/works;
- Maintenance management framework; and
- Infrastructure management framework..

Cabinet approved an art policy, Art Built-in, that took effect on 1 July 1999 that requires a minimum of 2% of capital works costs to be expended on art.

Art Built-in goes further than issues of cultural expression. It will also lead to social and economic benefits for Queensland, for example, integrating art and design into the process of planning, design, development and construction of public building and spaces.

Technology Issues
The rate of technological change and its impact on plant and equipment rates of obsolescence and the allied loss of building functionality in supporting service delivery.

Delivery Model Issues
Changes in delivery models, for example, where teaching staff deliver part of the course away from campus in Workplace Training and Assessing, reduces the demand for on-campus space and resources, and in turn demands a new set of supporting assets, e.g. vehicles and portable equipment, plus often reduced class sizes.

The lack of easily available agreed data, or in its absence, policy or directives from TAFE Queensland, means that individual TAFEs will need to collect, assimilate and analyse their own data to apply to the strategic planning process. The danger lies in the widely differing outcomes this approach is likely to produce, as each Institute applies a different methodology.

In order to address the above issues the following strategies have been developed:

- **Replacement Strategy**
  - An increased rate of replacement of obsolete plant and equipment (including information, communication technology) across the Institute;
  - An increased frequency of refurbishment of buildings to accommodate new service delivery modes; and
  - A change in focus for built assets away from acquisitions and towards specific refurbishments of existing space to gain greater efficiencies.

- **Maintenance Strategy**

Within the maintenance management framework, the Institute is developing a maintenance strategy that identifies an appropriate condition standard for each building. This then needs to be linked to the service delivery model for courses using each building to allow prioritising and the allocation of maintenance expenditure accordingly.

Other Strategies

Performance Management
The Institute will partner planning and purchasing in the development and implementation of Performance Indicators and Measures under the Australian National Training Authority 'An Accountability Framework for VET Infrastructure Final Report' (August 2000).

The Institute will also develop or acquire the means to accurately measure capacity and utilisation of that capacity, and to project changes in student numbers/SCH and delivery models in terms of infrastructure/asset and resource requirements.

Compliance
The Institute will continue to work closely with Asset and Building Services and with QBuild to ensure that government policy initiatives and directives and statutory requirements such as Workplace Health and Safety are met.

Systems
In co-operation with the Department, the Institute will work toward optimising the use, and improving the functionality of the SAP system for the management and reporting on the financial performance of the Institute's assets and capital expenditure programmes. It will also support the proposed review of the Asset Information Management system, and seek to improve asset management and maintenance management systems.

Knowledge and Skills
The Institute will encourage and support staff in the acquisition, development and the application of appropriate knowledge and skills.

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